

# A STUDY ON WORKING CAPITAL MANAGEMENT AND CONTROL AT MYSTICGOLDZ PRIVATE LIMITED

## AUTHOR DETAILS

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## ABSTRACT

*Working capital management* is a very essential job which all departments in an enterprise take a lot of time and effort. Furthermore, precise forecasts of working capital requirements are essential to the effective running and administration of a company. In order to accomplish this, it is necessary to manage existing assets and obligations.

All key aspects related to working capital management at MysticGoldz, including the management of various working capital components, such as stock, receivables, payable and cash, have been tackled throughout the research. This report includes a range of financial assessments and other statistics about MysticGoldz's performance over the last two years. It involves analysing their financial resources such as financing sources and how they use their resources. A variety of ratios are calculated, each revealing the most significant financial indicators of the company. We were able to establish the operations cycle of the business, comparing the raw materials, work in progress, finished output and receivable turnover to industry standards (and to assess how far MysticGoldz can fulfil those requirements).

Therefore, the basic idea behind research and evaluation of financial conditions is to evaluate their performance while also identifying the breadth and importance of some of the components which influence the work capital needs of MysticGoldz.

## INTRODUCTION

*Working capital management* is a discipline focused on the efficient use of the money available produced by a strong cash flow, financial stability and growth goals. It represents the liquidity position of a business and shows how effectively it manages its short-term assets and liabilities. The net-working capital of a business may be calculated by comparing the difference between current and current assets. If current assets surpass existing liabilities, the company may continue to operate. The company's capacity to repay debt also means that it has sufficient cash to pay down short-term debt and to meet future operational expenses. The administration of working capital of MysticGoldz Private Limited is highly acceptable due to its efficient inventory management, debtor management, cash balance management and management of working capital. In the case of working capital, the most significant variables were inventory, debtors, cash

balances and short-term investments.

The financial structure and management of any company organisation include the execution of the following three functions:

- Long-term asset management, i.e. capital budgeting.
- Long-term capital management, i.e. capital structure management
- Short-term assets & liabilities management, i.e. working capital management

The main difference between long-term financial management and short-term financial management (i.e., working capital administration) is the timing of cash inflows and business outflows. Lengthy-term financial options such as debenture issuance or capital purchase involve cash flows over a long period of time (5 to 15 years or more). In most instances, short-term financial decisions involve cash flows within a year or the company's business cycle.

### CONCEPTUAL BACKGROUND;

Working capital is regarded as the lifeblood of any company or business. If an enterprise lacks sufficient operating capital, it may become technical insolvent and ultimately become operational. Consequently, one of the most essential duties of financial managers is to manage the working capital of a business. A decision on working capital management comprises options about current assets, including the decision on how current assets will be financed and the quantity of current assets retained.

Working capital is needed until payments from the sale of finished products are received by a company. Two things determine it:

- 1) First, the cycle of production is defined as the length of time required to convert raw materials into finished goods.
- (2) Credit policy that relates to the period that the credit is given to consumers and the time it is allowed to credit creditors.

The total of all these times is known as the a-operating cycle and consists of the following six phases:

- ❖ During this procedure, the cash is transformed into basic materials.
- ❖ A procedure that includes turning raw materials into the work underway and transforming work under way into finished items.
- ❖ The period for the sale of finished products including cash and credit transactions.
- ❖ There now is the moment to convert debtors and debt accounts into cash.
- ❖ Credit durations for raw materials, stocks and wages and overheads provided by creditors, as well as by creditors for other kinds of borrowings.

- ❖ **G. V. Chalam and B. V. Manohar Babu;** has been shown to be insufficient compared to optimum criteria (1999). In order to effectively manage working capital, it is suggested that management levels, both short and long-term, establish the operational and other required budgets. They went on to add that these are the people who can influence output to such an extent that investment in working capital may be fully used.
- ❖ **The PathaniaKulwant Singh, (1999);** is calling for the bank to concentrate on optimising the profitability and using current cash resources in the greatest feasible way, while at the same time ensuring that cash holdings are minimised without affecting the overall liquidity requirements of the bank. In order to improve the bank's financial foundations, permanent working capital should nevertheless be backed by equity capital or other long-term sources. On the other hand, permanent working capital should generally be financed by short-term financing sources. Although the author is happy with the management of the working capital of the bank, he thinks there is space for further growth.
- ❖ **BATRA G.S. and Sharma A. K. (1999);** who utilise a range of ratios to assess the state of the business, analyse the operating capital position of Goetze (I) Limited. They believe that the working capital position of the business is now fully satisfactory. The writers have nonetheless suggested a number of ways to further improve the management of working capital, for example a stronger focus on inventory control, an active sales department, timely order fulfilment and a reduction of dependency on commercial creditors.

#### OBJECTIVE OF THE STUDIES

- The demand for work capital should be analysed as well as the management of work capital generally understood and researched.
- The most effective use of working capital must be examined.
- The performance of accounts receivable and cash must be assessed
- Investigate work capital composition.
- To examine the many sources of funding for working capital.
- Investigate the need for extra operational cash for the organisation and provide suggestions.

#### LIMITATIONS OF THE STUDY

- The study can only be completed for a total of two years starting in 2018-2020. This shows that only data from a certain period of time are reviewed.
- Because the financial information is confidential, they don't want anyone else to divulge accurate information or data.
- The study is finished in a short time (one month only).
- Because of their busy schedule, little interaction with the head concerned will take place.

## RESEARCH METHODOLOGY

### Sampling Design

*Type of Sampling:* Employees Systematic sampling.

*Sample size :* 30

*Area of Sampling:* Finance Department, Technical Department of  
MYSTICGOLDZPvt Ltd.

*Sample collection Technique :* Personal Interview, Journals/Documents.

### TOOLS OF ANALYSIS

Some tools are essential for the ration analysis and performance analysis of MysticGoldz Pvt Ltd, among others.

- Capital of Net working.
- Ratio analysis
- Balance sheet

### DATA ANALYSIS

Table showing the operating profit ratio

Year	Operating Profit	Net Sales	Operating Profit Ratio	Operating Profit Ratio (in percentage)
2018-2019	856932	3451688	0.24826	24.83%
2019-2020	1189581	3921258	0.30337	30.34%

Source: Balance Sheet of MysticGoldz Pvt Ltd.

### ANALYSIS

From the data table above, we can see that in 2018–2019 the operating profit ratio rose by **24.83%** in 2019–2020 to **30.34%**.

More than a lower ratio, a greater operating margin is preferred. Favored more when compared with a lower ratio.

## Graph showing the operating profit ratio

## OPERATING PROFIT RATIO



## INTERPRETATION

The table shows that the operating profit ratio in 2018-2019 is **24.83%** and rose to **30.84%** in 2019-2020. More than a lower ratio, a greater operating margin is preferred. The graph indicates that the operating profit ratio in recent years is greater than the ratio for 2018–2019. Therefore, operating profit in 2019-2020 is more favorable.

## Table showing the Inventory turnover ratio.

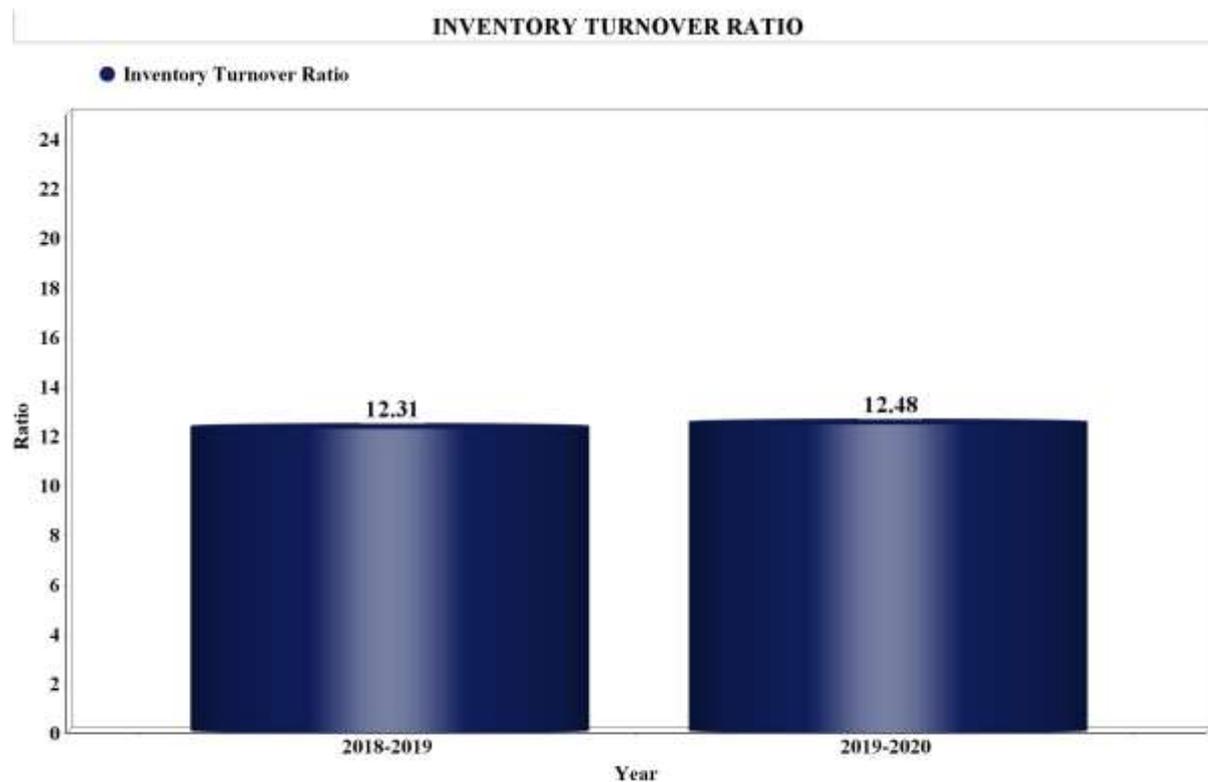
Year	Cost of Goods Sold	Average Inventory	Inventory Turnover Ratio
<b>2018-2019</b>	1957585	158963	<b>12.31472</b>
<b>2019-2020</b>	2115250	169525	<b>12.47751</b>

Source: Balance Sheet of MysticGoldz Pvt Ltd.

## ANALYSIS

From the data table above we can see that the Inventory Turnover Ratio for 2018-2019 is **12.31**; there is a small rise in 2019-2020 to **12.48**. The 2019-2020 inventory ratio is greater than in 2018-19 and is acceptable to the company or business.

Graph showing the Inventory turnover ratio.



## INTERPRETATION

The data shows that the inventory turnover rate is **12.31** in 2018-2019 and a little rise to **12.48** in 2019-2020. Therefore, a greater inventory turnover ratio than a lower ratio is preferred.

The graph indicates that the latest turnover ratio of the inventory is more than the 2018-2019 ratio and is acceptable to the company/company.

## CONCLUSION

The work capital management research was performed at "**MYSTICGOLDZ PRIVATE LIMITED.**" It aims to evaluate the effectiveness of the company/business working capital management by evaluating the financial data using ratio analyses.

In other instances, increases and decreases in working capital and ratio analyses were negligible throughout the research period. Although the current turnover ratio of assets and the turnover of working capital were poor, the overall economic condition of the enterprise / company is excellent. In The **MYSTICGOLDZ PVT LTD.** The use of resources was not optimal. The company must take special measures to use the existing asset to effectively enhance profits. The company is expected to increase profitability in the future years.

I have attempted to provide my results and suggestions/solutions to the company in accordance with my best knowledge based on analysis and interpretation.

AT REFERANCE

- ❖ **GOPALKRISHNAN – Cash & Working capital management.**
- ❖ **S. SRINIVASAN – Inventory & Working capital management.**
- ❖ **SATISH B MATHUR – Working capital management & control.**

